

Message Text

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10/44

ACTION EB-11

INFO OCT-01 EA-11 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 OMB-01 RSR-01 /156 W

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P 100850Z AUG 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 5964

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C O R R E C T E D C O P Y P A R A 6

E.O. 11652: N/A

TAGS: BEXP, JA

SUBJ: FY 1974 COMMERCIAL OBJECTIVES

REF: STATE 128397

SUMMARY: EMBASSY TOKYO HAS UNDERTAKEN SHIFTS IN ITS COMMERCIAL TARGETS TO ACCOMMODATE NEW REALITIES IN JAPAN. TOP COMMERCIAL OBJECTIVES LISTED; I.E. EXPANSION OF IMPORTS OF US CONSUMER GOODS, EXPANSION OF IMPORTS OF HIGH TECHNOLOGY EQUIPMENT, PROMOTION OF JAPANESE INVESTMENT IN PRODUCTION AND OTHER EMPLOYMENT-CREATING FACILITIES IN THE US, AND REDUCTION OF NON-TARIFF BARRIERS, REFLECT THESE NEW DIRECTIONS. END SUMMARY.

1. JAPAN NOW IN MIDST OF CONSIDERABLE CHANGE FROM TRADITIONAL STANCE AS CLOSED AND INWARD LOOKING NATION DILIGENTLY PURSUING MERCANTILIST POLICIES TO STANCE OF WORLD'S THIRD LARGEST ECONOMIC POWER INCREASINGLY, ALBEIT RELUCTANTLY, ASSUMING CONCOMMITANT RESPONSIBILITIES. ONE MANIFESTATION OF THIS CHANGE HAS BEEN THAT JAPAN, SLOWLY AT FIRST BUT LIMITED OFFICIAL USE
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WITH INCREASING RAPIDITY, HAS MOVED IN DIRECTION OF OPENING ITSELF TO PRODUCTS AND CAPITAL FROM ABROAD. CURRENCY REALIGNMENTS, UNILATERAL LOWERING OF TARIFFS, AND CAPITAL LIBERALIZATION HAVE CHANGED COMMERCIAL ATMOSPHERE HERE TO

AN EXTENT MANY OLD-TIME RESIDENT US BUSINESSMEN WOULD NOT HAVE BELIEVED POSSIBLE EVEN TWO YEARS AGO.

2. TO A DEGREE, THESE CHANGES HAVE CAUSED POST TO ALTER SOME COMMERCIAL OBJECTIVES. OTHER OBJECTIVES FORMERLY PURSUED BY EMBASSY ARE NOW PURSUED BY USG THROUGH MULTINATIONAL FORUMS. FOR INSTANCE, TARIFF REDUCTION, FORMERLY A MAJOR EMBASSY BILATERAL OBJECTIVE, WILL BE SUBJECT OF MULTILATERAL NEGOTIATIONS UNDER AEGIS OF GATT, AND IS CONSEQUENTLY NOT LISTED AS A SPECIFIC EMBASSY OBJECTIVE. ON OTHER HAND, TO AN EVEN GREATER DEGREE, OTHER EMBASSY OBJECTIVES (E.G. OPENING JAPAN TO CONSUMER GOODS) CONTINUE TO HAVE HIGH PRIORITY. OBJECTIVES FOR FY 1974 LISTED BELOW THEREFORE INCLUDE DESCRIPTION OF PROGRESS MADE TO DATE AND WHERE WE NOW STAND IN MOVEMENT TOWARD ULTIMATE GOAL.

3. SALES OF US AGRICULTURAL COMMODITIES, BULK COMMODITIES AND PROCESSED FOODS, ARE ALSO ACTIVELY PROMOTED BY THE POST. COMMERCIAL SECTION AND TRADE CENTER ARE WELL INTEGRATED INTO THIS EFFORT. SINCE PRIMARY RESPONSIBILITY FOR THIS AREA LIES WITH OFFICE OF AGRICULTURAL ATTACHE, AGRICULTURAL SALES' INCREASES HAVE NOT BEEN INCLUDED IN OBJECTIVES STATED BELOW, BUT DO REPRESENT A MOST IMPORTANT OBJECTIVE IN POST'S OVERALL PROGRAM.

4. IT MUST BE EMPHASIZED IN CONNECTION WITH POST OBJECTIVES, VERY HIGH PERCENTAGE OF COMMERCIAL SECTION TIME SPENT IN RESPONDING TO NEEDS OF WASHINGTON AND OF BUSINESS VISITORS. THIS LIMITS AMOUNT OF TIME AVAILABLE FOR LOCAL INITIATIVES DESIGNED TO ATTAIN TOP COMMERCIAL OBJECTIVES. POST IS FURTHER LIMITED BY DEGREE TO WHICH PROGRAM FOR COMING YEAR ALREADY COMMITTED.

5. THE OBJECTIVES WHICH FOLLOW INDICATE POST IS RESPONDING TO NEW OPPORTUNITIES WHICH PRESENT THEMSELVES. THIS SHIFT WILL BECOME MORE APPARENT AS WE BEGIN TO FOCUS ON PROGRAMS AND ACTIVITIES FOR NEXT FISCAL YEAR.

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6. COMMERCIAL OBJECTIVES.

A. EXPAND IMPORTS US CONSUMER GOODS INTO JAPAN. (Q) CONSUMER GOODS HAVE TRADITIONALLY REPRESENTED ONLY ABOUT 7.5 PERCENT OF JAPANESE IMPORTS FROM US. EMBASSY WILL CONTINUE PROMOTE JAPANESE IMPORTS OF US RAW MATERIALS, AGRICULTURAL PRODUCTS, AND CAPITAL GOODS, AND EXPECTS FURTHER INCREASES OF SUCH IMPORTS. EFFECTS OF RISING REAL INCOME, CHANGING CONSUMER HABITS, INCREASED LEISURE TIME, AND FINALLY, YEN REVALUATIONS ALL COMBINE TO CONVINCE EMBASSY THAT SIGNIFICANT POTENTIAL FOR IMPORT EXPANSION EXISTS IN CONSUMER GOODS FIELD. EMBASSY HAS CONSISTENTLY URGED LIBERALIZATION MEASURES SUCH AS SPECIFIC TARIFF REDUCTIONS AND

CAPITAL LIBERALIZATION IN DISTRIBUTION FIELD WHICH WOULD ALLOW US CONSUMER GOODS TO ENTER JAPANESE MARKET AT COMPETITIVE PRICES. COMMERCIAL SECTION HAS ALSO COMPLETELY DEDICATED ONE SUB-UNIT TO CONSUMER GOODS AND RETAIL/DISTRIBUTION SYSTEM.

(2) TO DATE, USG HAS OBTAINED CONSIDERABLE MEASURE OF LIBERALIZATION IN RETAIL TRADE (US FIRMS MAY HAVE 100 PERCENT EQUITY IN CHAIN OF STORES UP TO 11, WITH LATTER FIGURE SUBJECT TO SUBSTANTIAL INCREASE; 100 PERCENT FOREIGN-OWNED MINOR PROCESSING OPERATIONS; AND PERMISSION FOR PERSONAL IMPORT OF \$1,000 OF GOODS FROM ABROAD WITHOUT NEED OBTAIN SPECIFIC GOVT APPROVAL. SOME LARGE FIRMS (SEARS AND MONTGOMERY WARD) HAVE TAKEN ADVANTAGE OPPORTUNITIES THUS OPENED AND BEGUN NEW OPERATIONS JAPAN. CONCURRENTLY, AS MANY OTHER US FIRMS HAVE DISCUSSED NEW APPROACHES TO THIS MARKET WITH EMBASSY, POST HAS INCREASINGLY EMPHASIZED CONSUMER GOODS PROMOTION WITHIN JAPAN AND STEPPED UP EFFORTS TO INCREASE AWARENESS OF US BUSINESS COMMUNITY OF OPPORTUNITIES HERE THROUGH MORE INCISIVE AND TIMELY REPORTING.

(3) ACTION: IN FY 1974, EMBASSY WILL STAGE TWO IN-STORE PROMOTIONS AND A TRADE CENTER SHOW ON HOUSEWARES, AND PARTICIPATE IN AN INTERNATIONAL CONSUMER GOODS SHOW IN OSAKA. EMBASSY WILL SEARCH OUT ADDITIONAL OPPORTUNITIES, I.E. TRADE SHOWS AND OTHER ACTIVITIES CONDUCTED IN PRIVATE SECTOR, TO BOLSTER IMPORTS US CONSUMER GOODS.

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INFO OCT-01 EA-11 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00

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(4) EMBASSY WILL CONTINUE DEVELOP AND REPORT LARGE NUMBER SPECIAL TRADE OPPORTUNITIES IN THIS AREA, AND WILL SUBMIT AT LEAST TEN SURVEYS ON OPPORTUNITIES FOR SPECIFIC TYPES OF CONSUMER GOODS SIMILAR TO THOSE ALREADY SUB-

MITTED ON CAMPING EQUIPMENT, LEASURE GOODS, FRANCHISING, ETC.

(B) EXPAND IMPORTS HIGH TECHNOLOGY EQUIPMENT. (1) JAPAN'S MODERN ECONOMY FIRST DEVELOPED ALONG LINES WHICH PLACED EMPHASIS ON DEVELOPMENT LIGHT INDUSTRY, THEN IN POSTWAR YEARS INCREASINGLY SHIFTED TO HEAVY INDUSTRY. NOW AS LABOR COSTS INCREASE, CURRENCY MORE HONESTLY REFLECTS VALUE, AND POLLUTION BECOMES A NATIONAL CONCERN, ANOTHER CONSCIOUS SHIFT IS TAKING PLACE TOWARD EMPHASIS ON DEVELOPMENT HIGH TECHNOLOGY INDUSTRY.

(2) BULK IMPORTS HIGH TECHNOLOGY GOODS NOT UNDER ANY RESTRICTION, AND RECENT CURRENCY REALIGNMENT AND LOWERING OF TARIFFS HAVE GONE FAR TO MAKE US GOODS MORE ATTRACTIVE TO MUCH LARGER SEGMENT JAPANESE INDUSTRY.

(3) ACTION: DURING REMAINDER FY 74, EMBASSY WILL MOUNT FIVE MORE TRADE SHOWS AND JOIN TWO TRADE FAIRS WHICH FALL IN CATEGORY HIGH TECHNOLOGY GOODS.

(4) WE WILL SUBMIT AT LEAST FIVE REPORTS ON US EXPORT OPPORTUNITIES IN SPECIFIC PRODUCT CATEGORIES IN THIS LIMITED OFFICIAL USE
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FIELD. IN ADDITION, FIVE TIR MARKET RESEARCHES AND MARKET RESEARCHES CONDUCTED FOR TRADE SHOW THEMES WILL LARGELY FALL IN THIS CATEGORY.

(5) IN LIGHT OF GROWING DEMAND BY JAPANESE PUBLIC FOR EFFECTIVE MEASURES TO COMBAT ENVIRONMENTAL POLLUTION, AND RESULTANT INCREASE IN INVESTMENT THIS KIND EQUIPMENT BY JAPANESE INDUSTRY, EMBASSY WILL GIVE SPECIAL ATTENTION TO PROMOTING POLLUTION CONTROL EQUIPMENT AND REPORTING ON OPPORTUNITIES WHENEVER POSSIBLE.

C. PROMOTE JAPANESE INVESTMENT IN PRODUCTION AND OTHER EMPLOYMENT-CREATING FACILITIES IN US. (1) LIBERALIZATION OF OUTWARD CAPITAL MOVEMENTS AND GOVT ENCOURAGEMENT HAVE COMBINES TO PRODUCE INTENSE INTEREST BY JAPANESE COMPANIES IN OFFSHORE VENTURES, INCREASINGLY VENTURES TO SECURE AND BETTER SERVICE EXISTING MARKETS. LITERALLY HUNDREDS OF JAPANESE COMPANIES PARTICIPATED IN TWO INVEST IN USA SEMINARS IN TOKYO AND OSAKA IN JUNE. THIRTY-FIVE PARTICIPATING US STATES ALMOST UNANIMOUS IN EXPRESSING SATISFACTION AT INTEREST SHOWN AND MANY PLANNING FOLLOW UP BY OPENING STATE OFFICE HERE OR SENDING OWN MISSION.

(2) ACTION: SIX SUCH MISSIONS ALREADY PLANNED FOR THIS FY. EMBASSY EXPECTS MANY MORE, AND WILL VIGOROUSLY SUPPORT ALL. ADDITIONALLY, EMBASSY WILL PUBLISH AND DISSEMINATE ENGLISH TRANSLATIONS OF JUNE SEMINAR PROCEEDINGS, WHICH CONTAIN VALUABLE BACKGROUND FOR BOTH INVESTORS AND THOSE SEEKING INVESTORS.

(3) EMBASSY IS ESTABLISHING A SPECIAL SECTION IN ITS COMMERCIAL LIBRARY ON INVESTMENT INFORMATION FOR EACH STATE. AT SAME TIME, IT IS ASSISTING KEIDANREN, JETRO AND OTHER JAPANESE ORGANIZATION TO ESTABLISH LIBRARIES OF

THEIR OWN AND IN PROVIDING INVESTMENT INFORMATION TO THEM FOR DISSEMINATION AMONG THEIR MEMBERSHIP.

D. TO WORK TOWARD REDUCING NON-TARRIF BARRIERS. (1) GOJ HAS ELIMINATED OR REDUCED A NUMBER OF NON-TARIFF BARRIERS, E.G. IMPORT QUOTAS AND RESTRICTIVE IMPORT LICENSING SYSTEMS, AND HAS ALSO OPENED GOVT PROCUREMENT IN PRINCIPLE TO FOREIGN FIRMS, HOWEVER, BARRIERS THAT REMAIN CONTINUE TO RESTRAIN CERTAIN CATEGORIES OF US EXPORTS.

(2) ACTION (A): EMBASSY SEES AN INCREASING NEED FOR SOME KIND OF MECHANISM TO AVOID TRADE PROBLEMS ARISING FROM DIFFERENCES IN STANDARDS, SPECIALLY THOSE IN HEALTH LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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AREA SUCH AS IN FOOD, PHARMACEUTICAL AND COSMETIC INDUSTRIES. THE DEPT OF AGRICULTURE AT COUNTERPART SESSIONS OF ECONCOM IX PROPOSED PANEL OF SCIENTISTS BE FORMED JOINTLY WITH GOJ TO REVIEW STANDARDS ON AGRICULTURE PRODUCTS WHICH MIGHT CONSTITUTE BARRIERS TO TRADE. GOJ'S MINISTRY OF AGRICULTURE AGREED TO SUPPORT SUCH A PROPOSAL. BOTH SIDES, HOWEVER, ARE REQUIRED TO COORDINATE PROPOSAL WITH OTHER CONCERNED MINISTRIES IN THEIR GOVT. EMBASSY WILL CONTINUE TO PRESS THIS SUBJECT.

(E) ACTION (B): JAPAN HAS MAINTAINED A STANDARD METHOD OF SETTLEMENT FOR IMPORTS OF 120 DAYS. IT HAS GENERALLY BEEN LIBERAL IN GRANTING EXCEPTIONS WHEN REQUESTED ON A CASE-BY-CASE BASIS, PARTICULARLY FOR LARGE IMPORTS. AMERICAN BUSINESSMEN HAVE, EVEN SO, VOICED BELIEF THAT THIS REGULATION OF THE GOVT OF JAPAN ACTS AS AN INHIBITING ELEMENT IN THE EXPANSION OF US EXPORTS. THEY CONTEND THAT IF THE METHOD OF PAYMENT WERE DECIDED ON COMMERCIAL CONSIDERATIONS ALONE, BENEFITS WOULD ACCRUE TO US EXPORTERS. AT HAKONE IN 1972 AND ELSEWHERE WE HAVE PRESSED GOJ TO ABOLISH STANDARD METHOD OF SETTLEMENT. EMBASSY WILL CONDUCT AN INFORMAL SURVEY OF LOCAL IMPORTERS TO DETERMINE THE NEED FOR CONTINUING EFFORTS ON THIS ISSUE, AND SUBMIT A REPORT ON ITS SURVEY WITH RECOMMENDED COURSE OF ACTION TO DEPT.

(4) ACTION (C): WHILE NOT STRICTLY SPEAKING A GOVT ENFORCED NON-TARIFF BARRIER, EMBASSY HAS INCLUDED FOLLOWING TOPIC AS DESERVING OF ATTENTION AND ACTION. FOR BOTH CONFERENCE AND NON-CONFERENCE SIPS, IN SOME CASES, THERE IS DISPARITY IN FREIGHT RATES BETWEEN US AND JAPAN. RATES FROM JAPAN TO US ARE OFTEN CONSIDERABLY LOWER THAN REVERSE, THUS EFFECTING IN VARYING DEGREES COST OF GOODS IMPORTED FROM US ON LOCAL MARKET. EMBASSY WILL PREPARE A REPORT SHOWING SAMPLE DIFFERENCES AND HOW THIS AFFECTS PRICE OF US GOODS IN JAPAN, IN BELIEF THAT APPROPRIATE US AGENCY WILL FIND IT USEFUL IN DISCUSSION WITH SHIPPING CONFERENCES.

(5) ACTION (D): ALTHOUGH THE GOJ HAS ABOLISHED ITS POLICY OF "BUY JAPAN" FOR GOVT PROCUREMENT, IT REMAINS DIFFICULT FOR POTENTIAL US SUPPLIERS TO KNOW WHERE

OPPORTUNITIES FOR SALES TO GOJ EXIST. A SPECIFIC SUB-UNIT
WITHIN COMMERCIAL SECTION WILL THEREFORE BE ASSIGNED RE-
SPONSIBILITY FOR REPORTING AND FOLLOW-UP ON GOVT PROCURE-
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MENT AND FOR ASSISTING US FIRMS WISHING TO SELL TO GOJ.
EMBASSY WILL ALSO PREPARE A REPORT INCLUDING TRANSLATIONS
OF APPROPRIATE REGULATIONS FROM VARIOUS GOJ AGENCIES WHICH
DO BULK GOJ PROCUREMENT, FOR SUBMISSION TO DEPT FOR PUB-
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